

CITY OF CASCADE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2006

CITY OF CASCADE

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CITY OF CASCADE

OFFICIALS

(Before January 2006)

<u>NAME OF OFFICIAL</u>	<u>OFFICIAL TITLE</u>	<u>TERM EXPIRES</u>
Rich Knepper	Mayor	Jan 2006
Becky Dolphin	Mayor Pro tem	Jan 2008
Matt Nauman	Council Member	Jan 2008
Ben Leytem	Council Member	Jan 2006
Kathy Barden	Council Member	Jan 2008
Dave Gudenkauf	Council Member	Jan 2006
Randy Lansing	City Administrator	Indefinite
Patty Greenwood	City Clerk/Treasurer	Indefinite

(After January 2006)

<u>NAME OF OFFICIAL</u>	<u>OFFICIAL TITLE</u>	<u>TERM EXPIRES</u>
Rich Knepper	Mayor	Jan 2008
Becky Dolphin	Mayor Pro tem	Jan 2008
Matt Nauman	Council Member	Jan 2008
Ben Leytem	Council Member	Jan 2006
Kathy Barden	Council Member	Jan 2008
Greg Staner	Council Member	Jan 2010
Randy Lansing	City Administrator	Indefinite
Patty Greenwood	City Clerk/Treasurer	Indefinite



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
City of Cascade
Cascade, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Cascade, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Cascade's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Cascade as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 18, 2006, on our consideration of the City of Cascade's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 11 and 27 - 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade's basic financial statements. We did not audit the financial statements for the three years ended June 30, 2005 (which are not presented herein). Other supplementary information included in Schedules 1 - 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiesling Associates LLP

West Des Moines, Iowa
August 18, 2006

CITY OF CASCADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cascade provides this Management's Discussion and Analysis of its financial statements. The narrative overview and analysis of the financial activities is for the year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

2006 Financial Highlights

- Receipts of the City's governmental activities increased 15%, or approximately \$135,800, from fiscal 2005 to fiscal 2006. Property tax increased approximately \$18,000 and bond proceeds decreased \$780,000.
- Disbursements of the City's governmental activities decreased 26%, or approximately \$524,000, in fiscal 2006 to \$1,544,000 from \$2,076,000 in fiscal 2005. Capital projects disbursements decreased approximately \$656,600. Public works and debt service disbursements increased approximately \$137,000 and \$63,000, respectively.
- The City's total cash basis net assets increased 3%, or approximately \$44,000, from June 30, 2005, to June 30, 2006. Of this amount, the assets of the governmental activities increased by approximately \$81,000 and the assets of the business type activities decreased by approximately \$37,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial statements.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

CITY OF CASCADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents all of the City's net assets. Over time, increases or decreases in the City fund equity may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business type activities include the waterworks, and sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- (1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

CITY OF CASCADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE CITY'S FINANCIAL ACTIVITIES (Continued)

- (2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

CITY OF CASCADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1.123 million to \$1.204 million. The analysis that follows focuses on the changes in cash balances for governmental type activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)				
	Year ended June 30,			
	2006	2005		
Receipts and transfers:				
Program receipts:				
Charges for service	\$ 206	\$ 200	13 %	
Operating grants, contributions and restricted interest	492	410	30 %	
General receipts:				
Property tax	360	341	23 %	
Local option sales tax	196	192	12 %	
Unrestricted interest on investments	104	71	6 %	
Bond proceeds	146	926	9 %	
Other general receipts	82	79	5 %	
Transfers, net	38	137	2 %	
Total receipts and transfers	<u>1,624</u>	<u>2,356</u>	<u>100 %</u>	
Disbursements:				
Public safety	151	176	10 %	
Public works	439	302	28 %	
Culture and recreation	136	161	9 %	
Community and economic development	30	34	2 %	
General government	140	163	9 %	
Debt service	256	193	17 %	
Capital projects	391	1,047	25 %	
Total disbursements	<u>1,543</u>	<u>2,076</u>	<u>100 %</u>	
Increase in cash basis net assets	81	280		
Cash basis net assets, beginning of year	<u>1,123</u>	<u>843</u>		
Cash basis net assets, end of year	<u>\$ 1,204</u>	<u>\$ 1,123</u>		

The City's total receipts for governmental activities decreased 28%, or \$732,000. The total cost of all programs and services decreased by approximately \$532,000, or 26%, with no new programs added this year. The significant decrease was primarily the result of decreased bond proceeds and decreased capital expenditures.

CITY OF CASCADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The City's property tax rate for 2006 remained the same at \$8.10/\$1,000 of assessed value, which it was increased to in 2005 from \$7.978/\$1,000. Despite no increase in the City's property tax, re-evaluation of real estate by the Dubuque County Assessor caused property tax receipts to increase \$19,000. Property tax receipts are budgeted to increase slightly next year by approximately \$3,200.

The cost of all governmental activities this year was \$1.544 million compared to \$2.076 million last year. However, as shown in the Statement of Activities and Net Assets on pages 13 - 14, the amount taxpayers ultimately financed for these activities was only \$1.245 million because some of the cost was paid by those directly benefited from the programs (\$215,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$192,000). Overall, the City's governmental activities receipts decreased in 2006 from approximately \$2.356 million to approximately \$1.624, principally due to a major decline in bond proceeds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)			
	Year ended June 30,		
	2006	2005	
Receipts and transfers:			
Charges for service:			
Water	\$ 203	\$ 215	7 %
Sewer	164	161	5 %
Electric (Component Unit)	1,502	1,297	48 %
Gas (Component Unit)	1,099	845	36 %
General receipts:			
Unrestricted interest on investments	28	17	1 %
Other general receipts	90	72	3 %
Total receipts	<u>3,086</u>	<u>2,607</u>	<u>100 %</u>
Disbursements and transfers:			
Water	197	207	7 %
Sewer	190	123	6 %
Electric (Component Unit)	1,413	1,227	47 %
Gas (Component Unit)	1,069	897	35 %
Debt service (Component Unit)	108	112	4 %
Transfers, net	38	137	1 %
Total disbursements and transfers	<u>3,015</u>	<u>2,703</u>	<u>100 %</u>
Increase (decrease) in cash basis net assets	71	(96)	
Cash basis net assets, beginning of year	<u>602</u>	<u>698</u>	
Cash basis net assets, end of year	<u>\$ 673</u>	<u>\$ 602</u>	

CITY OF CASCADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Total business type activities receipts for the fiscal year were \$3.086 million compared to \$2.607 million last year. Operations remained stable and no bonds were issued in either year, resulting in almost no change. The cash balance increased by approximately \$71,000 from the prior year because of increased utility rates. Total disbursements and transfers for the fiscal year decreased by 12% to a total of \$3.015 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Cascade completed the year, its governmental funds reported a combined fund balance of \$1,204,328, an increase of more than \$81,000 above last year's total of \$1,123,162. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$161,623 from the prior year to \$980,506. Approximately \$72,000 of this increase was due to decreased disbursements for public safety, culture and recreation and general government.
- The Road Use Tax Fund cash balance decreased by \$63,790 to \$80,608 during the fiscal year. This decrease was attributable to approximately \$95,000 of additional disbursements for street improvements.
- The Urban Renewal Tax Increment Fund cash balance was \$172,131, an increase of \$12,255 from the previous year. The increase was the result of increased TIF funds received during the year.
- The Debt Service Fund cash balance increased by \$213 to \$213 during the fiscal year. This increase was due to an increase in special assessments. Bond principal and interest payments increased by \$63,307 in fiscal 2006.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$778 to \$420,504, due to a small increase in amounts collected for services during the year.

The Sewer Fund cash balance decreased by \$37,781 to \$2,394, due primarily to several new developments requiring sewer lines during the year and debt service obligations.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget to coincide with the City's Municipal Utilities amendment for increased gas and electric expenditures and additional revenues resulting from rate increases.

CITY OF CASCADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately \$1,154,667 in bonds and other long-term debt, compared to approximately \$1,211,171 last year, as shown below.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2006	2005
General obligation bonds	\$ 960	\$ 1,135
Special assessment bonds and notes	147	-
Urban renewal tax increment financing revenue bonds	40	60
Revenue notes	8	16
Total	<u>\$ 1,155</u>	<u>\$ 1,211</u>

Debt decreased as a result of payments on debt exceeding new debt obtained.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,154,667 is significantly below its constitutional debt limit of \$2.2 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Cascade's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees charged for various City activities. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2005 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices in 2006.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$6.235 million, an increase of 15% over the final 2006 budget. Charges for services are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to rise by approximately \$1.158 million. Increased wage and cost-of-living adjustments and increases in the cost of providing utility services represent the largest increases. The City has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$300,000 by the close of 2007.

CITY OF CASCADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or require additional information please contact Randy Lansing, City Administrator, 320 1st Avenue West, P.O. Box 400, Cascade, Iowa 52033.

BASIC FINANCIAL STATEMENTS

CITY OF CASCADE

Exhibit A

Statement of Activities and Net Assets - Cash Basis As of and for the year ended June 30, 2006

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 151,381	\$ 9,868	\$ -	\$ -
Public works	439,077	184,959	191,778	-
Culture and recreation	136,089	20,503	-	-
Community and economic development	29,401	-	-	-
General government	141,358	-	-	-
Debt service	256,268	-	-	-
Capital projects	390,448	-	-	-
Total governmental activities	<u>1,544,022</u>	<u>215,330</u>	<u>191,778</u>	<u>-</u>
Business type activities:				
Water	196,936	203,400	-	-
Sewer	190,223	163,440	-	-
Electric	-	-	-	-
Gas	-	-	-	-
Total business type activities	<u>387,159</u>	<u>366,840</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,931,181</u>	<u>\$ 582,170</u>	<u>\$ 191,778</u>	<u>\$ -</u>
General Receipts:				
Property and other city tax levied for:				
General purpose				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

The accompanying notes are an integral part of these financial statements.

CITY OF CASCADE

Exhibit A

Statement of Activities and Net Assets - Cash Basis As of and for the year ended June 30, 2006

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				
Governmental Activities	Business Type Activities	Total Primary Government	Component Unit - Municipal Utilities	Total
\$ (141,513)	\$ -	\$ (141,513)	\$ -	\$ (141,513)
(62,340)	-	(62,340)	-	(62,340)
(115,586)	-	(115,586)	-	(115,586)
(29,401)	-	(29,401)	-	(29,401)
(141,358)	-	(141,358)	-	(141,358)
(256,268)	-	(256,268)	(108,420)	(364,688)
(390,448)	-	(390,448)	-	(390,448)
<u>(1,136,914)</u>	<u>-</u>	<u>(1,136,914)</u>	<u>(108,420)</u>	<u>(1,245,334)</u>
-	6,464	6,464	-	6,464
-	(26,783)	(26,783)	-	(26,783)
-	-	-	90,561	90,561
-	-	-	29,164	29,164
-	(20,319)	(20,319)	119,725	99,406
<u>(1,136,914)</u>	<u>(20,319)</u>	<u>(1,157,233)</u>	<u>11,305</u>	<u>(1,145,928)</u>
377,216	-	377,216	-	377,216
320,687	-	320,687	-	320,687
146,352	-	146,352	-	146,352
195,519	-	195,519	-	195,519
104,209	17,241	121,450	10,268	131,718
34,243	4,212	38,455	85,539	123,994
38,137	(38,137)	-	-	-
<u>1,216,363</u>	<u>(16,684)</u>	<u>1,199,679</u>	<u>95,807</u>	<u>1,295,486</u>
79,449	(37,003)	42,446	107,112	149,558
<u>1,128,301</u>	<u>459,901</u>	<u>1,588,202</u>	<u>137,948</u>	<u>1,726,150</u>
<u>\$ 1,207,750</u>	<u>\$ 422,898</u>	<u>\$ 1,630,648</u>	<u>\$ 245,060</u>	<u>\$ 1,875,708</u>
\$ 80,608	\$ -	\$ 80,608	\$ -	\$ 80,608
176,492	-	176,492	-	176,492
-	-	-	110,275	110,275
-	27,560	27,560	-	27,560
<u>950,650</u>	<u>395,338</u>	<u>1,345,988</u>	<u>134,785</u>	<u>1,480,773</u>
<u>\$ 1,207,750</u>	<u>\$ 422,898</u>	<u>\$ 1,630,648</u>	<u>\$ 245,060</u>	<u>\$ 1,875,708</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CASCADE

Exhibit B

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances Governmental Funds As of and for the year ended June 30, 2006

	General	Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 359,601	\$ -	\$ -
Tax increment financing	-	-	300,687
Other city tax	195,519	-	-
Licenses and permits	9,868	-	-
Use of money and property	12,931	-	9,985
Intergovernmental	27,844	163,934	-
Charges for services	205,462	-	-
Special assessments	-	-	-
Miscellaneous	34,243	-	-
Total receipts	<u>845,468</u>	<u>163,934</u>	<u>310,672</u>
Disbursements			
Operating:			
Public safety	151,381	-	-
Public works	211,353	227,724	-
Culture and recreation	136,089	-	-
Community and economic development	29,401	-	-
General government	139,641	-	-
Debt service	-	-	-
Capital projects	6,107	-	-
Total disbursements	<u>673,972</u>	<u>227,724</u>	<u>-</u>
Excess of receipts over disbursements	<u>171,496</u>	<u>(63,790)</u>	<u>310,672</u>
Other financing sources (uses):			
Bond proceeds	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(114,298)	-	(298,417)
Total other financing sources (uses)	<u>(114,298)</u>	<u>-</u>	<u>(298,417)</u>
Net change in cash balances	57,198	(63,790)	12,255
Cash balances, beginning of year	<u>298,571</u>	<u>144,398</u>	<u>159,876</u>
Cash balances, end of year	<u>\$ 355,769</u>	<u>\$ 80,608</u>	<u>\$ 172,131</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ -
Reserved for other purposes	-	-	-
Unreserved:			
General fund	355,769	-	-
Special revenue funds	-	80,608	172,131
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 355,769</u>	<u>\$ 80,608</u>	<u>\$ 172,131</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CASCADE

Exhibit B

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances Governmental Funds As of and for the year ended June 30, 2006

Capital Projects			
2006 Street Improvements	Debt Service	Nonmajor	Total
\$ -	\$ -	\$ -	\$ 359,601
-	-	-	300,687
-	-	-	195,519
-	-	-	9,868
-	-	81,293	104,209
-	-	-	191,778
-	-	-	205,462
-	17,615	-	17,615
-	20,000	-	54,243
-	37,615	81,293	1,438,982
-	-	-	151,381
-	-	-	439,077
-	-	-	136,089
-	-	-	29,401
-	-	-	139,641
-	256,268	-	256,268
146,352	-	237,989	390,448
146,352	256,268	237,989	1,542,305
(146,352)	(218,653)	(156,696)	(103,323)
146,352	-	-	146,352
-	218,866	231,986	450,852
-	-	-	(412,715)
146,352	218,866	231,986	184,489
-	213	75,290	81,166
-	-	520,317	1,123,162
\$ -	\$ 213	\$ 595,607	\$ 1,204,328
\$ -	\$ 213	\$ -	\$ 213
-	-	624,742	624,742
-	-	-	355,769
-	-	-	252,739
-	-	(29,135)	(29,135)
\$ -	\$ 213	\$ 595,607	\$ 1,204,328

The accompanying notes are an integral part of these financial statements.

CITY OF CASCADE

Exhibit C

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances Proprietary Funds As of and for the year ended June 30, 2006

	Enterprise Funds		Total Primary Government
	Water	Sewer	
Operating receipts:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	203,400	163,440	366,840
Miscellaneous	4,212	-	4,212
Total operating receipts	<u>207,612</u>	<u>163,440</u>	<u>371,052</u>
Operating disbursements			
Business type activities	200,146	187,013	387,159
Total operating disbursements	<u>200,146</u>	<u>187,013</u>	<u>387,159</u>
Excess of operating receipts over operating disbursements	<u>7,466</u>	<u>(23,573)</u>	<u>(16,107)</u>
Nonoperating receipts (disbursements):			
Interest on investments	15,605	1,636	17,241
Debt service	-	-	-
Total Nonoperating receipts (disbursements)	<u>15,605</u>	<u>1,636</u>	<u>17,241</u>
Excess (deficiency) of receipts over (under) disbursements	23,071	(21,937)	1,134
Operating transfers in	3,000	17,460	20,460
Operating transfers out	<u>(25,293)</u>	<u>(33,304)</u>	<u>(58,597)</u>
Net transfers	(22,293)	(15,844)	(38,137)
Net change in cash balances	778	(37,781)	(37,003)
Cash balances, beginning of year	<u>419,726</u>	<u>40,175</u>	<u>459,901</u>
Cash balances, end of year	<u>\$ 420,504</u>	<u>\$ 2,394</u>	<u>\$ 422,898</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved	<u>420,504</u>	<u>2,394</u>	<u>422,898</u>
Total cash basis fund balances	<u>\$ 420,504</u>	<u>\$ 2,394</u>	<u>\$ 422,898</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CASCADE

Exhibit C

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances Proprietary Funds As of and for the year ended June 30, 2006

Component Unit	
Municipal Utilities	Total
\$ 8,304	\$ 8,304
2,601,545	2,968,385
77,235	81,447
<u>2,687,084</u>	<u>3,058,136</u>
2,481,743	2,868,902
<u>2,481,743</u>	<u>2,868,902</u>
205,341	189,234
10,268	27,509
<u>(108,420)</u>	<u>(108,420)</u>
<u>(98,152)</u>	<u>(80,911)</u>
107,189	108,323
-	20,460
-	<u>(58,597)</u>
-	(38,137)
107,189	70,186
<u>142,412</u>	<u>602,313</u>
\$ <u>249,601</u>	\$ <u>672,499</u>
\$ 110,275	\$ 110,275
<u>139,326</u>	<u>562,224</u>
\$ <u>249,601</u>	\$ <u>672,499</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CASCADE

NOTES TO FINANCIAL STATEMENTS June 30, 2006 and 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cascade is a political subdivision of the State of Iowa located in Dubuque and Jones Counties. It was first incorporated in 1958 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

Reporting Entity

For financial reporting purposes, the City of Cascade has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Cascade (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financials are available at the City Clerk's office.

Discretely Presented Component Unit

Cascade Municipal Utilities is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a three-member board appointed by the City Council and the Utility's operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque and Jones County Assessor's Conference Boards, Dubuque and Jones County Emergency Management Commissions and Dubuque and Jones County Joint E911 Service Boards.

CITY OF CASCADE

NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the Utilities' nonfiduciary net assets. Net assets are reported in two categories.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

CITY OF CASCADE

NOTES TO FINANCIAL STATEMENTS June 30, 2006 and 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Capital Projects:

The 2006 Street Improvements Fund is used to account for the major street improvements and renovations started during the 2006 fiscal year.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Measurement Focus and Basis of Accounting

The City of Cascade maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, revenues did not meet the amounts budgeted in the general government and business type activities functions.

CITY OF CASCADE

NOTES TO FINANCIAL STATEMENTS June 30, 2006 and 2005

NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had two certificates of deposit held in local banks.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes and urban renewal tax increment financing revenue bonds are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 185,000	\$ 40,569	\$ 20,000	\$ 3,000	\$ 205,000	\$ 43,569
2008	190,000	33,007	20,000	1,500	210,000	34,507
2009	160,000	25,178	-	-	160,000	25,178
2010	170,000	18,826	-	-	170,000	18,826
2011	80,000	11,995	-	-	80,000	11,995
2012	85,000	8,315	-	-	85,000	8,315
2013	90,000	-	-	-	90,000	-
	<u>\$ 960,000</u>	<u>\$ 137,890</u>	<u>\$ 40,000</u>	<u>\$ 4,500</u>	<u>\$ 1,000,000</u>	<u>\$ 142,390</u>

CITY OF CASCADE

NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 3. BONDS PAYABLE (Continued)

The urban renewal tax increment financing bonds were issued for the purpose of defraying the a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Fund - Urban Renewal Tax Increment account and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue financing bonds are to be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitations of the City.

NOTE 4. LOANS

General Obligation Storm Sewer Improvement Notes

During the year ended June 30, 1996, the City entered into a loan agreement of \$70,000 for storm sewer improvements. The loan requires twenty-one equal semi-annual payments of \$4,338, including 5.75% annum interest on the unpaid balance. The balance outstanding on this loan at June 30, 2006, is \$8,676, due as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ <u>8,315</u>	\$ <u>361</u>	\$ <u>8,676</u>

General Obligation Street Improvement Loan Agreement Anticipation Project Note

During the year ended June 30, 2006, the City entered into a loan agreement of \$350,000 for street improvements. The loan requires one lump-sum payment at maturity, including 4.9% annum interest on the balance while outstanding. The maturity date for this loan is October 1, 2006. The City can draw funds from this loan as needed to fund the project. The balance outstanding on this loan at June 30, 2006, is \$146,352.

NOTE 5. CONTINGENT LIABILITY

On February 11, 1998, the City co-signed a loan agreement with Dubuque County for \$182,000 for the purpose of making an economic development loan to the Cascade Economic Development Corporation for the construction of a speculative building. The terms of the loan provide for 180 monthly installments of \$1,487, including interest of 5.5% per annum, beginning March 1, 1998. The Cascade Economic Development Corporation is currently leasing the speculative building and, in accordance with the agreement, the monthly lease payments cover the monthly loan payments. In the event the speculative building becomes vacant, the City will be responsible for the loan repayment. The loan provides for an annual levy on all taxable property in amounts sufficient to cover the payments. At June 30, 2006, \$40,000 remains outstanding on the loan.

CITY OF CASCADE

NOTES TO FINANCIAL STATEMENTS June 30, 2006 and 2005

NOTE 6. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, were \$21,882, equal to the required contributions for each year.

NOTE 7. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized by as disbursements by the City until used or paid. The City's approximate liability for earned vacation and termination payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ <u>15,700</u>

This liability has been computed based in rates of pay in effect at June 30, 2006.

NOTE 8. RISK MANAGEMENT

The City of Cascade is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance coverage. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9. CONCENTRATION OF CREDIT RISK

The City grants credit to its customers, all of whom are located in the municipal service area.

CITY OF CASCADE

NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 10. COMMITMENTS AND CONTINGENCIES

The City has entered into purchase commitments to complete the Industrial Park Utility Extension and the 2006 Street Improvements projects. The contract with Eastern Iowa Excavating for the Industrial Park Utility Extension project has a bid amount of approximately \$66,000. The total estimated cost of the Industrial Park Utility Extension is approximately \$67,000 and will be completed during 2007. The contract with Horsfield Construction for the 2006 Street Improvements project has a bid amount of approximately \$251,000. The total estimated cost of the 2006 Street Improvements project is approximately \$253,000 and will be completed during 2007.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CASCADE

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Fund Types and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Component Unit Actual
Receipts:			
Property tax	\$ 359,601	\$ -	\$ -
Tax increment financing collections	300,687	-	-
Other city tax	195,519	-	-
Licenses and permits	9,868	-	-
Use of money and property	104,209	-	-
Intergovernmental	191,778	-	8,304
Charges for service	205,462	366,840	2,601,545
Special assessments	17,615	-	-
Miscellaneous	54,243	4,212	77,235
Total receipts	<u>1,438,982</u>	<u>371,052</u>	<u>2,687,084</u>
Disbursements:			
Public Safety	151,381	-	-
Public works	439,077	-	-
Culture and recreation	136,089	-	-
Community and economic development	29,401	-	-
General government	139,641	-	-
Debt service	256,268	-	-
Capital projects	390,448	-	-
Business type activities	-	387,159	2,481,743
Total disbursements	<u>1,542,305</u>	<u>387,159</u>	<u>2,481,743</u>
Excess (deficiency) of receipts over (under) disbursements	(103,323)	(16,107)	205,341
Other financing sources (uses), net	<u>184,489</u>	<u>(20,896)</u>	<u>(98,152)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	81,166	(37,003)	107,189
Balances, beginning of year	<u>1,123,162</u>	<u>459,901</u>	<u>142,412</u>
Balances, end of year	<u>\$ 1,204,328</u>	<u>\$ 422,898</u>	<u>\$ 249,601</u>

See Accompanying Independent Auditors' Report

CITY OF CASCADE

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Fund Types and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2006

Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final Total Variance
		Original	Final	
\$ -	\$ 359,601	\$ 361,083	\$ 361,083	\$ (1,482)
-	300,687	296,881	296,881	3,806
-	195,519	200,000	200,000	(4,481)
-	9,868	8,205	8,205	1,663
-	104,209	33,980	33,980	70,229
-	200,082	606,667	606,667	(406,585)
13,220	3,160,627	3,008,612	3,333,612	(172,985)
-	17,615	5,280	5,280	12,335
11,733	123,957	49,100	49,100	74,857
24,953	4,472,165	4,569,808	4,894,808	(422,643)
-	151,381	243,501	243,501	92,120
-	439,077	537,157	537,157	98,080
-	136,089	193,723	193,723	57,634
-	29,401	27,300	27,300	(2,101)
-	139,641	189,393	189,393	49,752
-	256,268	216,347	216,347	(39,921)
-	390,448	1,412,533	1,412,533	1,022,085
-	2,868,902	2,880,999	3,090,999	222,097
-	4,411,207	5,700,953	5,910,953	1,499,746
24,953	60,958	(1,131,145)	(1,016,145)	1,077,103
-	65,441	972,000	972,000	(906,559)
24,953	126,399	(159,145)	(44,145)	170,544
-	1,725,475	1,636,108	1,636,108	(1,636,108)
\$ 24,953	\$ 1,851,874	\$ 1,476,963	\$ 1,591,963	\$ (1,465,564)

See Accompanying Independent Auditors' Report

CITY OF CASCADE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING Year Ended June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, there was one budget amendment to correspond with the budget amendment made by the component unit for increased disbursements due to increased prices in natural gas and increased charges for services due to rate increases during the year.

During the year ended June 30, 2006, disbursements exceeded amounts budgeted in the community and economic development and debt service functions.

See Accompanying Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

CITY OF CASCADE

Schedule 1

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2006

	<u>General Fund</u>		
	<u>Police Reserve</u>	<u>Fire Truck Reserve</u>	<u>Riverview Park Reserve</u>
Receipts:			
Use of money and property	\$ -	\$ 3,579	\$ 836
Total receipts	<u>-</u>	<u>3,579</u>	<u>836</u>
Disbursements			
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	<u>-</u>	<u>3,579</u>	<u>836</u>
Other financing sources (uses):			
Operating transfers in	<u>5,000</u>	<u>20,000</u>	<u>5,000</u>
Total other financing sources (uses)	<u>5,000</u>	<u>20,000</u>	<u>5,000</u>
Net change in cash balances	5,000	23,579	5,836
Cash balances, beginning of year	<u>-</u>	<u>80,524</u>	<u>20,215</u>
Cash balances, end of year	<u>\$ 5,000</u>	<u>\$ 104,103</u>	<u>\$ 26,051</u>
Cash Basis Fund Balances			
Reserved for other purposes	\$ 5,000	\$ 104,103	\$ 26,051
Unreserved:			
Capital projects fund	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 5,000</u>	<u>\$ 104,103</u>	<u>\$ 26,051</u>

See Accompanying Independent Auditors' Report

CITY OF CASCADE

Schedule 1

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2006

General Fund					
<u>Garbage Truck Reserve</u>	<u>Truck Reserve</u>	<u>Partial Self- Fund Reserve</u>	<u>Parks- Playground Reserve</u>	<u>Library Reserve</u>	<u>1st Avenue Bridge Reserve</u>
\$ 2,637	\$ 18	\$ -	\$ -	\$ 177	\$ 73,700
<u>2,637</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>177</u>	<u>73,700</u>
-	16,471	-	-	-	-
-	<u>16,471</u>	-	-	-	-
<u>2,637</u>	<u>(16,453)</u>	<u>-</u>	<u>-</u>	<u>177</u>	<u>73,700</u>
5,000	6,358	10,734	3,000	-	-
<u>5,000</u>	<u>6,358</u>	<u>10,734</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
7,637	(10,095)	10,734	3,000	177	73,700
<u>63,798</u>	<u>10,095</u>	<u>-</u>	<u>-</u>	<u>4,595</u>	<u>325,948</u>
\$ <u>71,435</u>	\$ <u>-</u>	\$ <u>10,734</u>	\$ <u>3,000</u>	\$ <u>4,772</u>	\$ <u>399,648</u>
\$ 71,435	\$ -	\$ 10,734	\$ 3,000	\$ 4,772	\$ 399,648
-	-	-	-	-	-
\$ <u>71,435</u>	\$ <u>-</u>	\$ <u>10,734</u>	\$ <u>3,000</u>	\$ <u>4,772</u>	\$ <u>399,648</u>

See Accompanying Independent Auditors' Report

CITY OF CASCADE

Schedule 1

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2006

	<u>General Fund</u>	
	<u>Library Mechanical Reserve</u>	<u>Tyler Bridge Reserve</u>
Receipts:		
Use of money and property	\$ -	\$ 346
Total receipts	<u>-</u>	<u>346</u>
Disbursements		
Capital projects	<u>-</u>	<u>15,489</u>
Total disbursements	<u>-</u>	<u>15,489</u>
Excess of receipts over disbursements	<u>-</u>	<u>(15,143)</u>
Other financing sources (uses):		
Operating transfers in	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in cash balances	-	(15,143)
Cash balances, beginning of year	<u>-</u>	<u>15,143</u>
Cash balances, end of year	<u>\$ -</u>	<u>\$ -</u>
Cash Basis Fund Balances		
Reserved for other purposes	\$ -	\$ -
Unreserved:		
Capital projects fund	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report

CITY OF CASCADE

Schedule 1

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2006

Capital Projects					
Land Acquisition Project	Streetscaping Project	RISE Street Project	CEDC Industrial Park Utility Extension	Callahan Development Project	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,293
-	-	-	-	-	81,293
29,135	22,530	27,777	121,754	4,833	237,989
29,135	22,530	27,777	121,754	4,833	237,989
(29,135)	(22,530)	(27,777)	(121,754)	(4,833)	(156,696)
-	22,530	27,777	121,754	4,833	231,986
-	22,530	27,777	121,754	4,833	231,986
(29,135)	-	-	-	-	75,290
-	-	-	-	-	520,318
\$ (29,135)	\$ -	\$ -	\$ -	\$ -	\$ 595,608
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 624,743
(29,135)	-	-	-	-	(29,135)
\$ (29,135)	\$ -	\$ -	\$ -	\$ -	\$ 595,608

See Accompanying Independent Auditors' Report

CITY OF CASCADE
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2006

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
General corporate purpose	Sep 01, 1997	4.70-5.05%	\$ 290,000
General corporate purpose	Oct 01, 2001	3.75-4.80%	800,000
General corporate purpose	May 19, 2005	3.59%	420,000
Total			
Urban renewal tax increment financing (TIF) revenue bonds	Mar 03, 1997	5.75%	200,000
Loans:			
Storm sewer improvements	Dec 12, 1995	5.75%	\$ 70,000
Street improvements	Jun 08, 2006	4.9%	146,352
Total			

See Accompanying Independent Auditors' Report

CITY OF CASCADE

Schedule 2

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2006

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 100,000	\$ -	\$ (30,000)	\$ 70,000	\$ 5,003
615,000	-	(65,000)	550,000	27,510
<u>420,000</u>	<u>-</u>	<u>(80,000)</u>	<u>340,000</u>	<u>15,625</u>
<u>\$ 1,135,000</u>	<u>\$ -</u>	<u>\$ (175,000)</u>	<u>\$ 960,000</u>	<u>\$ 48,138</u>
<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ 40,000</u>	<u>\$ 4,500</u>
\$ 16,171	\$ -	\$ (7,856)	\$ 8,315	\$ 820
<u>-</u>	<u>146,352</u>	<u>-</u>	<u>146,352</u>	<u>-</u>
<u>\$ 16,171</u>	<u>\$ 146,352</u>	<u>\$ (7,856)</u>	<u>\$ 154,667</u>	<u>\$ 820</u>

See Accompanying Independent Auditors' Report

CITY OF CASCADE
BOND AND NOTE MATURITIES
June 30, 2006

Schedule 3

Year Ending June 30,	General Corporate Purpose		General Obligation Bonds General Corporate Purpose		General Corporate Purpose	
	Issued Sept 1, 1997		Issued Oct 1, 2001		Issued May 19, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	5.00 %	\$ 35,000	4.20 %	\$ 70,000	3.59 %	\$ 80,000
2008	5.05 %	35,000	4.30 %	70,000	3.59 %	85,000
2009		-	4.40 %	75,000	3.59 %	85,000
2010		-	4.50 %	80,000	3.59 %	90,000
2011		-	4.60 %	80,000		-
2012		-	4.70 %	85,000		-
2013		-	4.80 %	90,000		-
		<u>\$ 70,000</u>		<u>\$ 550,000</u>		<u>\$ 340,000</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing		Loans			
	Issued Mar 3, 1997		Sewer Improvements Issued Dec 12, 1995		Street Improvements Issued Jun 8, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	5.75 %	\$ 20,000	5.75 %	\$ 8,315	4.90 %	\$ 146,352
2008	5.75 %	20,000		-		-
		<u>\$ 40,000</u>		<u>\$ 8,315</u>		<u>\$ 146,352</u>

See Accompanying Independent Auditors' Report



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Cascade, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 18, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cascade's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cascade's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the City of Cascade and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Cascade during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Kiesling Associates LLP

West Des Moines, Iowa
August 18, 2006

CITY OF CASCADE

**Schedule of Findings
June 30, 2006**

Part I: Summary of Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF CASCADE

**Schedule of Findings
June 30, 2006**

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. This situation is not unusual for a City your size.

Recommendation - In this situation, compensating controls may be available through strong trustee control over financial transactions and continuous monitoring of the City's operations. We realize that with a limited number of office employees, segregation of duties is difficult. However, operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF CASCADE

Schedule of Findings June 30, 2006

Part III: Other Findings Related to Statutory Reporting:

III-A-06 Certified Budget - Disbursements during the year ended June 30, 2006, were exceeded the amounts budgeted in the community and economic development and debt service functions.

Recommendation -The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budgeted amount.

Response - The City will establish internal controls to ensure the City does not disburse monies in excess of any budgeted Program without first amending the Program budget.

Conclusion - Response acknowledged.

III-B-06 Questionable Disbursements - No expenditures that we believe may not meet the requirements of public purpose as defined in Attorney General's opinion dated April 29, 1979, were noted.

III-C-06 Travel Expense - No expenditures of the City's money for travel expenses of spouses of the City's officials or employees were noted.

III-D-06 Business Transactions - There were no business transactions, which came to our attention during the course of our audit between the City and the City's officials or employees.

III-E-06 Bond Coverage - Surety bond coverage of the City's officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-06 Council Minutes - No transactions were found that we believe should have been approved in the minutes but were not. The minutes records were examined and appeared to give a condensed, accurate account of business transacted by the City Council.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation -The Utilities should comply with the Code of Iowa and should publish minutes within in the specified time as required.

Response - We will publish minutes in the time required.

Conclusion - Response acknowledged.

CITY OF CASCADE

Schedule of Findings June 30, 2006

- III-G-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-06 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2006.

CITY OF CASCADE

STAFF

This audit was performed by:

Steven P. Harms, CPA, Partner

Jessica R. Richter, CPA, Supervising Senior Accountant

Amanda Hilbert, Accountant